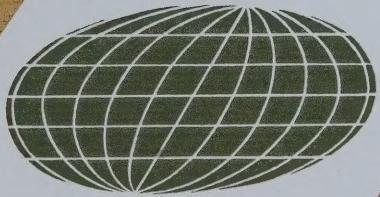
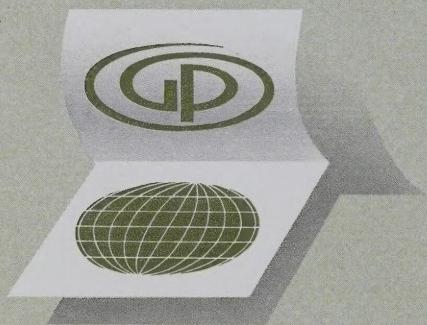


56
General Precision Equipment Corporation Annual Report
98
1966

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Corp. report





**GENERAL PRECISION
EQUIPMENT CORPORATION**

1966 ANNUAL REPORT

CONTENTS

Page	1	Financial Highlights
	2	Letter to Stockholders
	4-20	Review of Operations
	14-15	Corporate Organization, Companies and Products
	21-28	Financial Statements
Facing 28		Directors and Officers
Facing 28		Notice of Annual Meeting

The following highlight data reflects the combinations of General Precision Equipment Corporation, Controls Company of America and Amercon Corporation on the pooling of interests basis as more fully explained in Notes 2 and 3 to the financial statements.

Highlights	1966	1965	1964	1963	1962
Net sales	\$440,439,000	\$391,115,000	\$361,164,000	\$348,271,000	\$344,557,000
Income before federal income taxes	39,625,000	31,899,000	26,499,000	23,126,000	25,219,000
Net income	20,547,000	16,570,000	13,859,000	10,939,000	11,986,000
Per common share*	4.67	3.62	2.91	2.14	2.38
Charges to earned surplus, net, principally relating to business computer operations			5,500,000		3,600,000
Dividends per common share	1.275	1.20	1.20	1.20	1.20
Year-End Position					
Working capital	\$112,212,000	\$119,003,000	\$108,990,000	\$113,399,000	\$121,352,000
Common stock equity	94,123,000	88,008,000	78,807,000	77,958,000	73,932,000
Equity per common share*	24.40	21.78	19.40	19.11	17.96
Number of shares of Common Stock outstanding.....	3,856,889	3,947,026	3,943,530	3,957,238	3,980,742

*Based on shares outstanding at year-ends after adjustment in each period for purchase and retirement in 1966 of certain Vapor Corporation shares equivalent to 151,792 shares of Amercon stock. Net income per share is after annual dividend requirements on Preferred and Preference Stocks.

To the Stockholders:

The year 1966 was an outstanding one for General Precision Equipment Corporation in many ways. Among its highlights were the combination with Controls Company of America in May and the announcement in December of the plans for the combination with Amercon Corporation. Record earnings were attained in 1966 by both of those companies as well as by General Precision as it was constituted prior to the merger with Controls Company.

Stockholders of Amercon Corporation and General Precision Equipment Corporation on March 20 and 21, 1967, respectively, approved an Agreement dated January 10, 1967 and a related Plan of Reorganization which combined the business of Amercon with that of General Precision. The Agreement and Plan became effective today, March 24.

This 1966 Annual Report includes in all financial statements and supplementary financial information operations of GPE and Amercon combined on a pooling of interests basis.

Sales, Earnings, Backlog

The cumulative effect of the individual performances of the Corporation's major subsidiaries was to make 1966 the best year in corporate history in terms of profits and sales.

Sales for 1966 were \$440,439,000, up 12.5% compared with 1965. Net income was \$20,547,000, up 24% over 1965. Earnings per share of common stock, after annual preferred and preference stock dividend requirements, were \$4.67, which represents an increase of 29% over the \$3.62 per share for 1965.

Sales volume can be classified in a general way by the following groups of product categories: Products for national defense and space exploration, 43.8%; controls and electrical components for consumer products, 13%; industrial controls and equipment, 25.4%; other commercial and industrial products, 17.8%.

Commercial business in 1966 represented 56% of total sales. This has resulted from the additions of Controls Company

and Amercon, further penetration of their respective markets and the growth in sales of education and training products by several other General Precision companies, notably Graflex, and its subsidiary, SVE, and Link.

Concurrently, sales to the Department of Defense and National Aeronautics and Space Administration and to their prime contractors continued to grow. New business in this area raised our government business backlog to \$221,421,000 compared with \$158,411,000 at the start of the year.

Total backlog of the Corporation at year end was \$325,928,000, up 31% from the beginning of the year.

Dividends

The dividend on GPE common stock was increased to 37½ cents per share in the fourth quarter, after dividends of 30 cents per share had been paid in each of the first three quarters. 1966 was the thirty-first consecutive year in which the Corporation has paid dividends on its common stock. Regular quarterly dividends were paid in 1966 on the outstanding \$4.75 cumulative preferred stock and the \$1.60 cumulative convertible preference stock.

Financial Statements

Comparative consolidated financial statements for the Corporation for 1966 and 1965 are found starting on page 21. As indicated previously, they have been presented on a pooling of interests basis to reflect the combinations' with Controls Company of America and Amercon Corporation.

The increase in inventories and in labor, materials and other costs related to work in process at the end of 1966 over the prior year (as shown in the balance sheet) reflects the record level of operations, particularly in long-lead time systems contracts for the government and other customers.

To finance the growing business as well as the construction and equipping of new and improved facilities, short-term bor-

rowings under the existing line of credit increased during the year by \$15 million.

The NEW General Precision—

At the Annual Meeting of Stockholders in May, 1966, we described corporate objectives thus:

- (1) To effect a better balance between government and commercial business.
- (2) To augment opportunities for profitable internal corporate growth.
- (3) To add additional well-directed organizations to the corporate family of companies.
- (4) To continue the Corporation's planned program of selective product and market diversification.

With the addition of Controls Company and Amercon, General Precision has moved forward significantly toward the attainment of these objectives.

Our diversified business, international in scope, and well-balanced between government and commercial, is concentrated in growth markets encompassed by

- (1) Government's and industry's needs for advanced electronic technology,
- (2) Education's needs for training systems, equipment and instructional materials, and
- (3) Industry's needs for an increasing number and better quality of controls of all kinds.

These are expanding markets which are closely related to national defense and space activities, population trends, social needs, improvement in standard of living and the renovation and expansion of industrial, transportation and communications facilities.

The extensiveness of General Precision's participation in each of these markets represents a very strong base for future development.

Government markets provide a continuing and profitable area of business. National interests, it is estimated, require that 7½ % of Gross National Product be devoted to defense (exclusive of expenditures for space programs).

Hostilities in Viet Nam have had a minimal effect on the Corporation's business. General Precision Inc.'s defense business—advanced electronic systems for navigation and guidance, simulation, weapon control and communication—is a growing one within Department of Defense requirements. Controls Company and Amercon's subsidiary, Vapor Corporation, bring added potential for further participation in this market. Additionally, we are actively pursuing opportunities for sales in industrial and commercial markets of products which stem from our technological knowhow, including commercial aircraft simulators, computer components and peripheral equipment.

Education and training is another market in which General Precision is already well established. The combined capabilities of Grafex, Inc., Society For Visual Education, Inc., Link and GPL yielded an impressive doubling of our educational sales in 1966. Sales in the latter part of the year were running at an annual rate of \$30,000,000. We look for this business to expand significantly.

Controls, both as components and as systems, are part of the product line of almost every General Precision company and in the aggregate extend over a very wide range from the very simple to the extremely sophisticated. The addition of Controls Company and Amercon has substantially increased our potential for expansion in this market. The long-range effects of both world-wide population growth and improved living standards on housing, appliance and automotive production have important implications for the future of Controls Company. In addition, one of the fastest growing segments of U.S. industry involves industrial con-

trols, including metering and instrumentation. Amercon companies have a substantial position in the expanding markets for gas, transportation, liquids, and other specialized controls.

International. In each of these markets, countries overseas represent additional outlets for our companies' products. With the combination of export sales, our own plants overseas, affiliated companies and licensees, we are in a good position to expand international sales significantly in the years ahead.

In summary, the excellent current position of General Precision companies in each of these major areas of concentration provides the base for our optimism about the near and long-term future. 1967 should be another good year for the Corporation.

Board of Directors Changes

R. W. Johnson was elected vice chairman of the Board and A. R. Gale, R. A. Gardner, Jr., L. Putze, A. Rosenbaum and G. T. Weymouth were elected to the Board in May following the merger with Controls Company. In November, L. L. Kelly, executive vice president and general manager of General Precision, Inc. was elected to the Board.

H. G. Place retired from the Board of Directors in November. Mr. Place's association with the Corporation began more than thirty years ago with the organization of the Corporation in June, 1936, first as a member of the Board and Executive Committee and then as president from 1947 to 1957. He also was Chairman of the Board from 1952 to 1959. His contribution to the emergence of the Corporation as a major electronics company was of the greatest significance. Mr. Place will continue to serve the Corporation as a consultant.

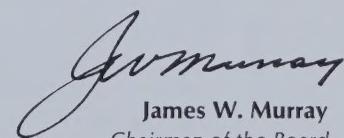
Under the Agreement with Amercon Corporation, Messrs. D. E. Broggi, L. H. Dunn, J. Gribbel, 2nd, W. G. Hamilton, Jr. and A. J. Loose are to be added to the GPE Board.

The long-range prospects of the Corporation, including its continued growth and profitability, lie in the capable hands and cooperative endeavors of its 28,000 employees. Their allegiance to General Precision, their vision and technical capabilities contributed to the attainment of the sales and profit records of 1966. These same qualities further buttress the basis for our confidence concerning 1967.

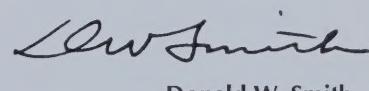
* * *

With the addition of Controls Company and Amercon Corporation, our stockholders have grown in number from 8,270 at the end of 1965 to 18,830. On behalf of the Board of Directors we welcome you who are new stockholders of GPE and thank all of you for your past support and continued interest in the affairs of the Corporation.

In this latter connection, we call your attention to the pages that follow.



James W. Murray
Chairman of the Board



Donald W. Smith
President

Tarrytown, N.Y.
March 24, 1967

Aerospace and Allied Products

(PRINCIPALLY GENERAL PRECISION, INC.)

The aerospace market includes both government (and its prime contractors) and commercial customers, the latter being mainly aircraft manufacturers and commercial airlines. General Precision's recognized skills are utilized to serve this market, domestically and overseas, with highly technical, advanced electronic products and systems of high precision and reliability, in such diverse fields as:

- Navigation, guidance and control
- Simulation and training
- Weapon control
- Communications

Further diversification in this market has been achieved through the sales of ordnance devices, switches (page 8), heating and temperature control systems for aircraft application (page 18), searchlights (page 11), computer memories, specialized computers, information handling systems, and other products.

The wide scope of General Precision's activities in aerospace markets is demonstrated by its participation to some extent in almost every major Department of Defense and National Aeronautics and Space Administration program.

Achievements in Space Exploration

Of special note during the past year was the part General Precision, Inc., played in NASA's Surveyor program. Gyros on the Atlas missile, the guidance computer on the Centaur space booster and gyros on the Surveyor vehicle itself all performed perfectly during the history-making flight and soft landing on the moon. Then, as the first TV signals from Surveyor were received on earth, a General Precision data-handling system immediately began producing close-up photographs in real-time of the moon's surface.

The delivery of a second Apollo mission simulator and the first Lunar Module simulator to NASA by General Precision/Link represented other technological achievements in the space program. These

are ground-based, computer-driven mission-training systems which combine to form the primary system for training U.S. astronauts for their round trips to the moon.

Navigation, Guidance and Control

General Precision/Aerospace has been awarded a number of important new national defense contracts for navigation and missile guidance equipment. Its low-cost inertial navigation system based upon the Gyroflex®, a new approach to gyro design (both discussed in previous years' reports), has been chosen for the U.S. Navy's P3C aircraft and for the U.S. Air Force SRAM missile. Work on these programs will be conducted at the Kearfott Systems Division. GPL Division received initial contracts for the development of doppler radar navigation systems for five new aircraft programs, including entry into the helicopter market with a doppler navigation, heading and attitude system. Kearfott Products Division received an initial award for displays and in-flight system performance monitoring equipment for the Mark II avionics system, the central navigation and weapon delivery system for the F-111A and FB-111 aircraft. Although all these are primarily development contracts, they provide the opportunity for substantial follow-on production work, the positive effects of which should be felt in 1968 and for several years thereafter.

Kearfott Products Division is now one of the nation's leading producers of airborne computers. Additional contracts for the AN/ASN-41 navigation computers for a variety of naval aircraft provided continued and increased production of this product. The AN/ASN-24 central navigation computer set for the Air Force C-141 transport will continue in production in 1967, but at a reduced rate.

GPL continued to produce AN/APN-153 radar navigation systems which are

used on a number of different U.S. Navy anti-submarine warfare aircraft. In addition production of precision components at Kearfott Products Division was increased during the year to meet the requirements of Viet Nam operations.

Simulation and Training

Substantial new business was received for space mission, military mission and commercial aircraft simulators, indicating a continued good rate of operations at General Precision/Link for the coming year.

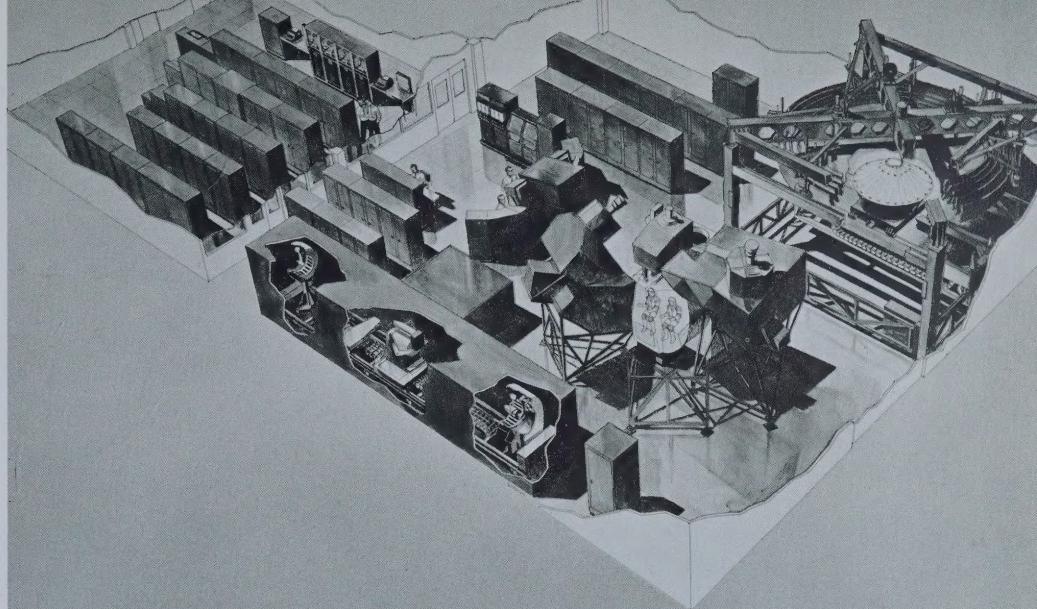
In addition to the second Apollo and first Lunar Module mission simulators delivered to NASA, new contracts were received for a third Apollo simulator and a major up-dating of the first unit to provide astronauts with additional training capabilities. The company is also providing service and modification support for NASA's space simulators.

The types of military aircraft simulators delivered in 1966 include those for a majority of the nation's current aircraft arsenal. Included were F4C, RF4C, F4D and C-141 simulators to the U.S. Air Force; A7A, S2E and P3A simulators to the U.S. Navy.

Deliveries of commercial aircraft simulators included the first to use the company's GP-4 digital computer and the first in which two aircraft cockpits can be operated independently by one digital computer.

New business included simulators for the Air Force's F4E and F-111A aircraft. Commercial airlines ordered simulators for Boeing 707 and 727, and Douglas DC-8 (stretched version) and DC-9 aircraft. All will use the GP-4 computer.

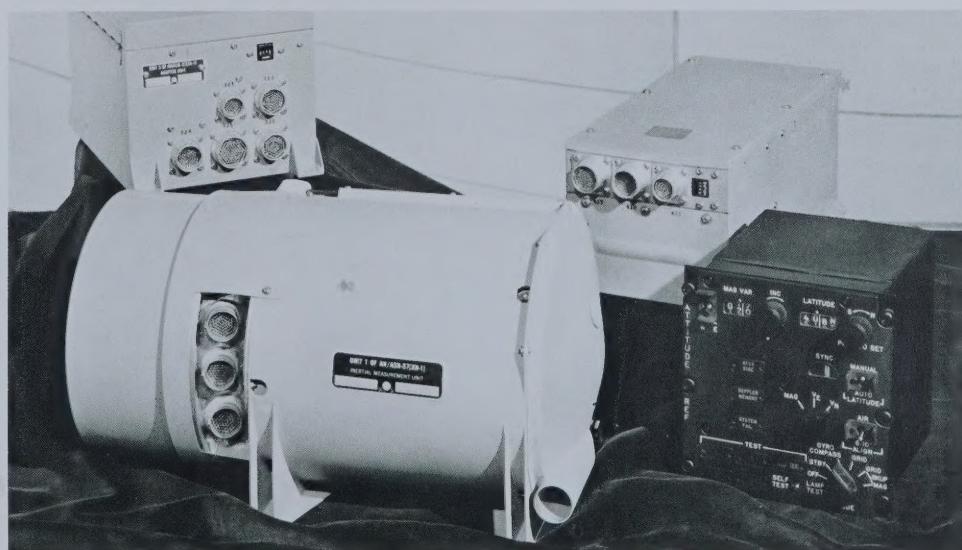
Simulator orders were received from four foreign-based commercial carriers and from the Australian and Swedish governments. Work was also begun on radar land-mass systems for the Mirage III aircraft simulator for the French, Swiss and Australian governments.



NASA's Lunar Module Simulator, through a unique combination of electronics, optics and mechanics, will duplicate for the astronauts, on the ground, the lunar approach, landing, launch and rendezvous and docking with the mother vehicle.



The "Gyroflex"® gyroscope is at the heart of Aerospace Group Kearfott Divisions' family of low-cost inertial navigators which have been chosen for major aircraft and missile programs.



This is one of the KT 70 series of low-cost inertial navigators aimed at meeting DOD goals of reducing costs and weight of inertial systems to $\frac{1}{3}$ that of conventional systems. The inertial measuring unit containing "Gyroflex"®, common to all systems in the KT 70 series, is shown in left foreground.

Other capabilities closely allied to flight simulation have contributed significantly to the continued growth of this company. The ability to simulate fighter plane and anti-submarine warfare tactics, radar land-mass returns, and motion and visual systems have all yielded substantial contracts in their own rights. Research and development is directed at further refining these capabilities in order to approach still closer the essential goal of exact duplication of real-world flight conditions in a ground-based device, and thus retain the company's world leadership in simulation.

Weapon Control Systems

Anti-submarine warfare is closely related to aerospace because it involves inter-related operation of air-borne and sea-borne equipment of the highest quality and technical sophistication. General Precision/Librascope has been a leading technological force in this field as applied to surface vessels and submarines.

New business received in 1966 reached record levels, indicating a new peak for activity at that company in 1967. Increasing work during the year on the U.S. Navy's Mark 48 Torpedo program kept General Precision/Librascope in the forefront of anti-submarine warfare weapon control system manufacturers. This work involved modifying existing Navy weapon control systems to accept the new torpedo. In 1966 the first major production contract was received and the first prototype delivered and installed on shipboard.

The SUBROC (submarine-borne rocket) weapon control system continued in production.

Participation in these programs has resulted from years of experience gained by the company in ASW projects and provides the opportunity to expand work further in ASW and undersea technology. The company is now a participant in an industry team which has recently won a

contract to study an integrated combat system for the anti-submarine warfare ships of the 1970's.

Communications

Long-distance, world-wide communication is experiencing explosive growth. Tele-Signal Corporation serves this branch of the communications market at both the transmitting and receiving ends for commercial, military and space applications. For NASA, the company provides communications terminal equipment for the Apollo program at all tracking stations and data links between these stations and the mission control center at Houston, Texas.

Acceptance of the company's solid-state data communications equipment, including new products introduced in 1966, resulted in a substantial increase in both shipments and new orders received. Prospects for further volume increases in 1967 are particularly good. New facilities, almost doubling this company's plant capacity, were added during the year to meet future growth requirements.

Other Electronic Products and Market Opportunities

In the search for still further diversification and in the course of the development of the major electronics products and capabilities discussed above, General Precision's research laboratories have yielded new skills and products. Some of these have the potential of developing substantial markets of their own.

COMPUTER MEMORY SYSTEMS

Follow-on contracts were received from many customers by General Precision/Librascope for its disc memory systems. To exploit this market further a complete line of 10-, 16- and 24-inch standard disc memories was designed and prototype sales made to several computer

manufacturers. Aerospace applications for the new plated-wire memory, described in last year's report, yielded encouraging new business for engineering and prototype development.

INFORMATION HANDLING SYSTEMS

Deliveries in 1966 of a Spacecraft Television Ground Data Handling System which provides NASA with pictures in real-time of information sent back to earth from space and of an Operations Control Center to the Navy which provides extremely high-quality displays of information in color are examples of the capabilities of General Precision in handling and displaying information. Now under development are other highly advanced data handling systems for various customers. A system being built for the Army permits electronic updating of microfilm aperture cards which store large amounts of information. Industrial applications for this system are being explored.

ORDNANCE

Shipments of ordnance products increased with deliveries made for the Apollo vehicle, Saturn V rocket and the Titan III missile. An initial contract with good follow-on potential was received by Link Group for micro-detonators. Development was initiated on an explosive cord for use where precise control of firing and time delay are vital requirements.

Research

The basis for leadership positions which have been attained and maintained in the areas described above is the end result of the work of General Precision scientists and engineers engaged in advanced electronics research and development. Public acknowledgment of their efforts was received in 1966 when a committee of prominent scientists, including several Nobel Prize winners, chose three new

General Precision products among their choices of the 100 most significant new products of 1966.

The results of prior years' research in navigation, guidance, simulation, weapon control and communications technologies yielded a record amount of new business in 1966 and forms the basis for the company's confidence in its position as an important and growing electronic systems and components supplier to aerospace and allied markets.

International Operations

General Precision, Inc.'s products for aerospace applications are sold in international markets either directly by the company or through foreign representation. The company also licenses leading overseas manufacturers to produce and sell its products. Vactric Control Equipment Ltd., the United Kingdom's leading manufacturer of components, was added as a licensee for Kearfott precision components. Another licensee, Ferranti, Ltd., has begun deliveries of inertial systems for England's version of the F-4 aircraft, including Kearfott-designed gyros and accelerometers. Kearfott Products Division is also providing other components for this plane.

GPL Division began deliveries of radar navigation systems to Australia for that nation's Mirage III aircraft. Production on this order will continue in 1967. Prototype units of GPL's TALAR[®], a mobile aircraft landing system, were evaluated in France for helicopter use and in England and Italy for both helicopter and fixed-wing aircraft.

Mitsubishi Precision Company, Ltd., an affiliated company in Japan, continued work under a contract for overhaul and product support of navigation systems for the Japanese Defense Agency's F104J aircraft. Work was started on a simulator for the Agency's P2V anti-submarine warfare aircraft.



Librascope Group's plated wire electronic memory for computer application is automatically woven on a loom, very much as cloth is woven. It is one of the fastest memories, operating in less than 100 billionths of a second.



This view is part of the production line at Link Group for simulators being built for commercial airlines.

Tele-Signal communication equipment, as used in this communications center, provides for the transmission, reception, distribution and quality measurement of multiple telegraph and telephone messages, via telephone wires, transoceanic cables, radio and satellite.



Aerospace Group's GPL Division used this advertisement as one means of calling customers' attention to the fact that its doppler radar navigation systems had been chosen for four new aircraft programs. A fifth award (for the Navy's P3C) was won late in the year.

A black and white advertisement. At the top, there are several newspaper clippings with headlines like "AIR FORCE" and "ARMED FORCES". Below them are four vertical columns of text, each describing a different aircraft program. The columns are titled: "The Doppler for the C-5A Giant Logistic Transport", "The Doppler for AMSA Advanced Manned Strategic Aircraft", "The Doppler for the FB-111 Bomber", and "The Doppler and Landing Reference System for AAFSS Advanced Aerial Flight System Compound Helicopter". Each column includes a small logo for "AEROSPACE GROUP" and the text "will be supplied by" followed by a list of companies.

Controls for Commerce and Industry

(PRINCIPALLY GENERAL PRECISION CONTROLS, INC.)

The world has become more dependent upon technology . . . in industry . . . and increasingly in our daily lives. The proper functioning of the mechanical devices and equipment upon which we depend so much relies in great part on the efficient performance of control products and systems. General Precision serves industrial and commercial customers with a variety of controls in both domestic and international markets.

Operations in Europe of General Precision Controls, Inc. benefit from the guidance of an Advisory Board composed of these prominent European businessmen: J. Edgar Davies, retired tax controller, Imperial Chemical Industries Ltd., England; Francois de Nervo, President, Compagnie Francaise d'Automatisation and the Sinclair Mediterranean Petroleum Co., France; Gerhard Geyer, Chairman of the Board, Esso A.G., Germany; Gino Martinoli, consulting engineer, retired general manager, Compagnia Generale Di Ellettricità, Italy.

CONTROLS COMPANY OF AMERICA

Almost every reader of this report is affected every day by the products made by Controls Company. They are used in heating and air conditioning systems; in homes and offices; in washers, dryers and refrigerators; in automobiles, particularly automobile air conditioners; and for numerous other products you come in contact with each day.

Growing acceptance for the products of Controls Company is shown by the fact that 1966 was its fifth consecutive year of increased sales.

Appliance and Automotive Division

The recognized reliability and quality of the various products of this division serving the appliance, automotive and commercial markets contributed to increased sales during the year. Also contributing to the improvement were a broadened

line serving the automotive optional equipment market, including window lift and rotating headlight switches. Reception of the company's newest timer and solenoid-operated water valve for laundry equipment was especially good as was the direct sensing moisture control for dryers introduced in 1965. A new water level control pressure switch provided new standards in high quality performance and increased sales to the laundry equipment market.

These new products and others, including solid-state appliance controls which were developed and introduced to customers for 1967 production, confirm Controls Company's position as a leading producer of control devices for consumer durable goods.

A new 83,400 square feet plant in Fremont, Ohio, will be in full operation in the first quarter of 1967. Highly automated, it will provide additional manufacturing capacity and efficiencies.

Heating and Air Conditioning Division

Sales of refrigeration products, automotive air conditioning controls and gas controls were all ahead of the prior year. The rates of growth of expansion valves for refrigeration and automotive air conditioners were particularly significant. Total refrigeration sales increased 19% in 1966 over 1965, while refrigeration expansion valve sales increased 30%. In 1965, 23% of the new cars were factory-equipped with air conditioners. In 1966, 30% were air conditioned and a growing number had year-round comfort conditioning—another area of growth for the company's controls.

Purchase of the gas water heater controls business of Deutsch Company in April expanded the gas product line.

The company is market testing a direct spark gas-ignition system, called IONITION®, an all-electronic system providing for the control of both the flow

and ignition of gas. At the same time it proves the presence of the flame on ignition and continues to monitor the presence of flame until the thermostat is satisfied. This application of solid-state technology to a gas-flame ignition system is an important innovation in control with application in gas ignition systems of all types.

In view of the growth of electric heating, the company has added to its line of controls for electric warm-air furnaces and baseboard heating units, including a new line of thermostats.

Control Switch Division

This division makes more types of switches than most other manufacturers, including toggle, lighted, hermetic-sealed and push-button switches, in addition to a line of basic switches.

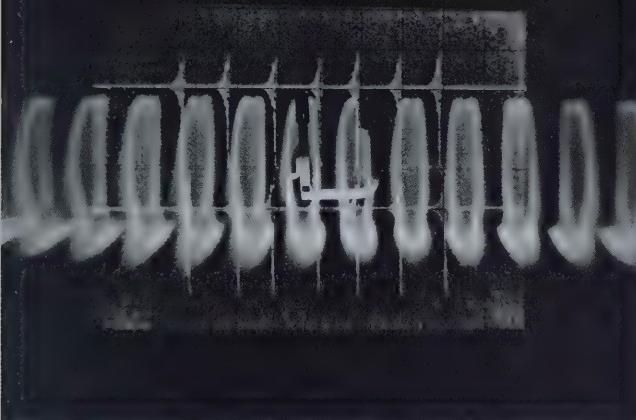
Sales of all types of switches and indicator lights for commercial jet aircraft showed a healthy rise, helped by initial production of a new-type hermetic switch for the Boeing 707, 720 and 727 aircraft and Douglas DC-8 and DC-9 aircraft and the introduction of a new safety switch for aircraft landing gear.

The company was the first manufacturer to receive approval under a military specification for push-button switches. Of added significance was the acceptance of its new subminiature toggle switch for use by a major data processing equipment manufacturer.

The introduction of new products and new programs such as the airline's program for retrofitting and replacement for current aircraft should result in a continued rise in division sales.

Motor Division

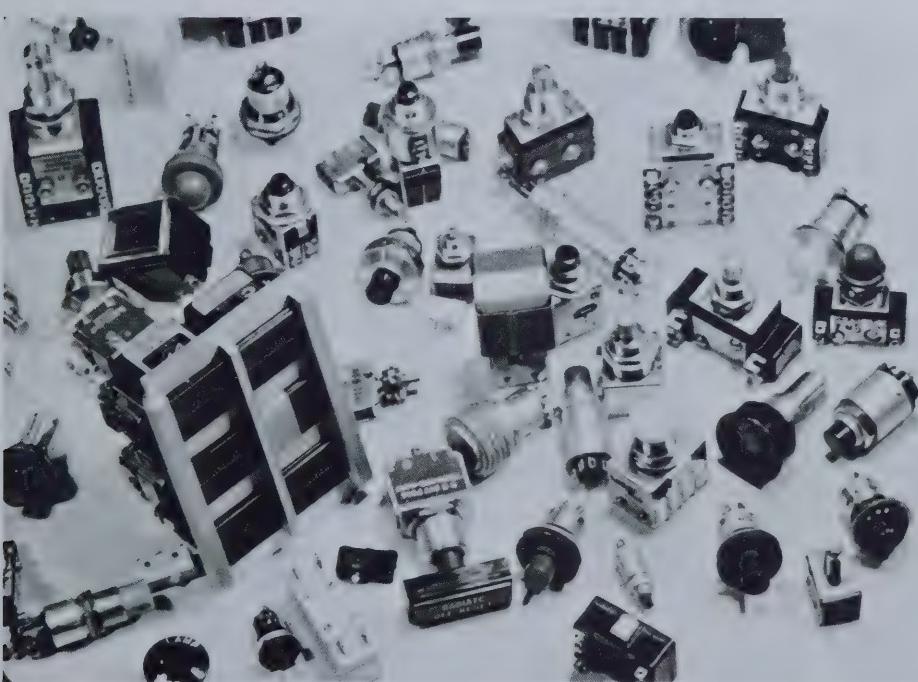
Fractional horsepower motors made by the company range in size from 2" to 5" in diameter and are used mainly in the comfort heating markets—in air conditioners, furnaces, space heaters and fans.



Shown under test is Controls Company's new all-electronic ignition system (ION-ITION[®]). Developed for gas-fired heating equipment, the system eliminates the gas pilot which has long been the source of maintenance problems.



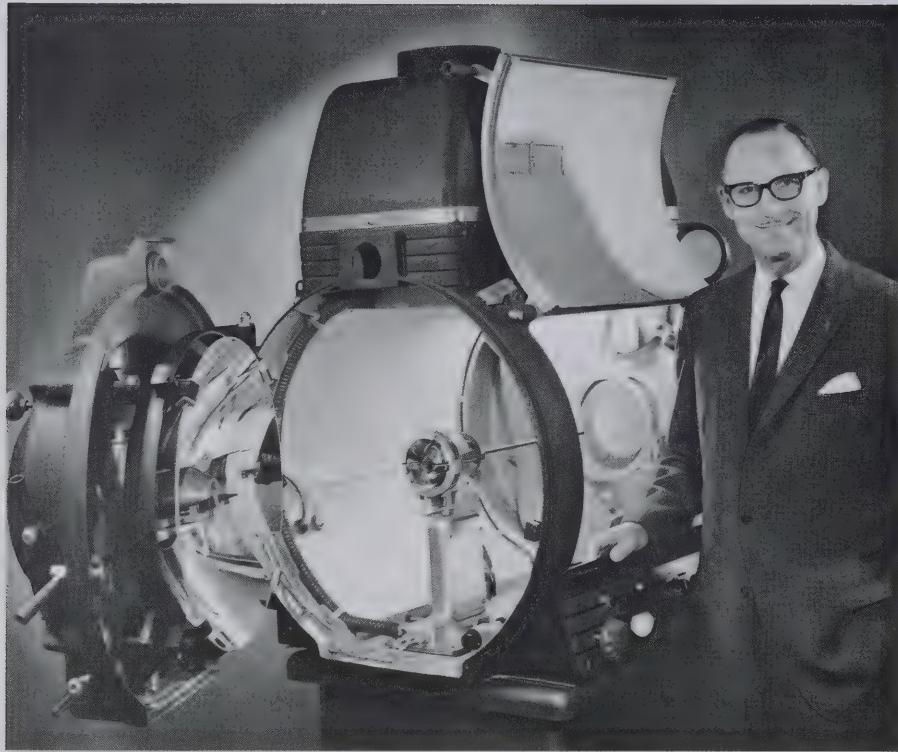
During 1966, the growing consumer demand for automatic washing machines, clothes dryers, refrigerators, dishwashers, and room air conditioning equipment acted to increase Controls Company sales to these markets.



A small fraction of the more than 150,000 special switches produced by Controls Company is shown. Among the major categories are basic snap-action, toggle, indicator light, hermetic, and pushbutton switches.



There are about 40 varieties of fractional horsepower motors used within the modern home. Motors made by Controls Company can be found, among other places, in air conditioners, refrigerators and freezers, furnaces, pumps and fans of all kinds.



The Strong Electric Corporation and its president, A. J. Hatch, received a Technical Achievement Award from the Academy of Motion Picture Arts and Sciences for a motion picture projection lamp that provides 50% more brightness than previously available with this type system.

General Precision Inc.'s Industrial Controls Division helps oil companies control petroleum products on the move. At the tank farm, this central unit of the Telepulse II® system reads out tank level by tank number and displays it remotely.



Other areas served are the growing business machine and automotive markets.

In order to attain adequate efficiency in the division's operations, an automated plant of 210,000 square feet in Jacksonville, Arkansas, now under construction, will be opened during 1967.

A new motor was developed during the year for 1967 production, aimed at serving manufacturers of major appliances. Other potential areas of use for the new motor are video and stereo-tape recording, business machines and home entertainment equipment.

Andrick Tool Manufacturing Division

The division furnishes a complete line of tooling services covering all phases of tool and die making and consultation services to industry for manufacturing, processing and automation applications. It serves the needs in these areas of both General Precision companies and others. Projects now under way include work on an ordnance manufacturing machine for Link Group.

International Operations

Gas and oil heating controls, appliance controls and fractional-horsepower motors are manufactured and sold in international markets through five wholly-owned subsidiaries in Europe and Canada and through jointly-owned companies in Argentina, Brazil, Japan and Australia. There is also a technical assistance and sales affiliate in Switzerland.

EUROPEAN OPERATIONS

Subsidiaries in France, Italy and Holland showed improved results over the prior year. The Dutch subsidiary's improvement was accomplished in the face of increased competition in the German market. The economic slowdown in the United Kingdom affected operations of the English subsidiary.

To meet the challenge of the special requirements and market trends in Europe,

twelve products are scheduled for introduction in 1967, including gas and oil controls, automatic washer and dryer controls, and heating and cooling thermostats.

The European market for natural gas and appliances continues to expand. The new gas controls will enable the company to participate significantly in that growth. Special emphasis placed on the marketing of timers, pressure switches and water valves for automatic washers, and the added new production lines for these controls will contribute to future growth.

CANADIAN OPERATIONS

The results of operations for the Canadian subsidiaries were well ahead of 1965, despite a decline in export shipments.

The U.S.-Canada Automotive Agreement of 1966 opens new sales opportunities for this company's fractional horsepower motors.

AFFILIATED COMPANIES

To increase the scope of international operations, a majority interest was acquired in Eilbeck Holding Pty., Ltd., in Australia, a leading supplier of control components to the appliance industry there. Substantial progress was made over the prior year in improving the operations of the affiliated companies in Japan, Argentina and Brazil to the extent that results overall were profitable.

OTHER INDUSTRIAL AND COMMERCIAL PRODUCTS AND MARKETS

Controls for Industry

Operations at General Precision, Inc.'s Industrial Controls Division improved during the year with sales of safety and conservation fittings and Tele-Pulse II tank gaging systems showing particularly good advances. GPL Division broadened its participation in industrial closed-circuit television markets with the introduction of a new camera, the Precision 1000.

Specialized Lighting and Theatre Equipment

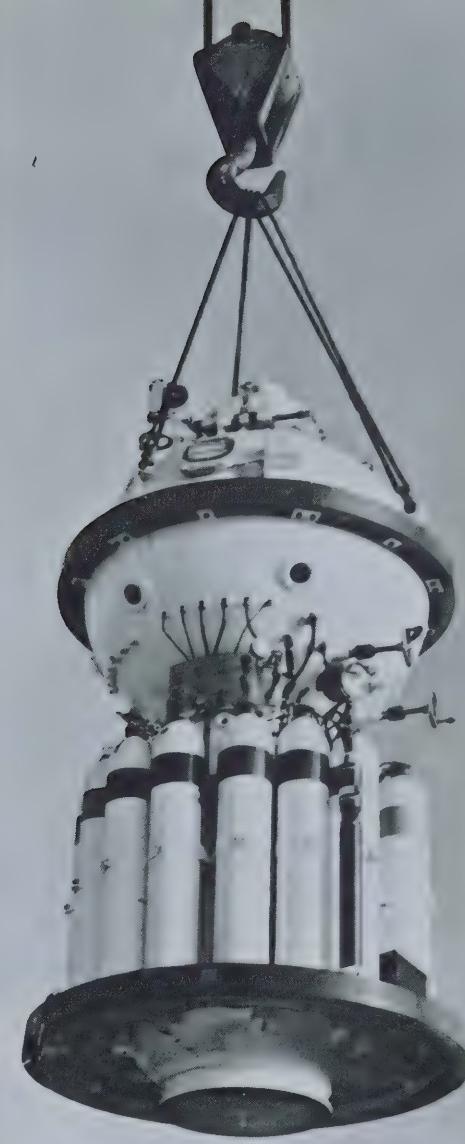
In addition to being a major factor in the supply of spotlights and motion picture projection lighting for theatres, The Strong Electric Corporation is also an important producer of searchlights for military applications. In 1966 the company increased its deliveries of aircraft searchlights and received a sizable contract for a new ground-based searchlight using a Xenon arc light source. Sales for 1967 should be aided by the introduction of a smaller lamp house for 16mm motion picture projection and a spotlight that will deliver twice the power of the most powerful existing unit in the company's line of lighting products.

Sales of National Theatre Supply Company are about 3% of total sales. Due to competition, profit margins have been low. In order to reduce overhead and increase customer service efficiency, NTS has reorganized its marketing and distribution functions into four central regions. All East Coast warehousing for theatre equipment and supplies is now centralized at the company's new national headquarters in Paramus, New Jersey. Through a central computer service the Eastern Region has speeded sales ordering, billing and purchasing.

Similar cost reduction and consolidation will be undertaken in the remaining regions during 1967.

Photographic Products

Sales of Graflex photographic products were down slightly from 1965, the introductory year for the new XL Camera System designed for professional photographers and advanced amateurs. In 1967 the company will continue to concentrate on marketing the XL camera and will also broaden its noted Speed Graphic line with the addition of a new model of that well-accepted standard line of professional cameras.



OCEAN SYSTEMS, INC. (An affiliated company)

The photo above is of the latest advanced diving system (ADS IV) developed by the company and now being used under contract in drilling for oil off Norway. It is capable of transporting one or two divers down to 600 feet below the ocean's surface and has significantly increased divers' actual working time on the bottom.

Among new underwater services becoming commercially available are ocean bottom surveys and the recovery of objects lost on the bottom through accidents. For search and survey work, Ocean Systems has used a two-man submarine throughout large areas of the Gulf of Mexico, in the Atlantic Ocean and off the Spanish Coast during the search for the lost H-bomb. The company was the prime contractor to the Navy on this critical operation, coordinating the work of 18 other civilian subcontractors and demonstrating dramatically how commercial ocean engineering techniques and equipment can complement the government's own extensive facilities.

Products for Education and Training

The 1965 Annual Report stated that "The growth in the school population, combined with an increasing number of federally funded programs, will provide new opportunities for the General Precision companies . . ."

In 1966 the opportunities developed and under an intensified marketing effort total sales of General Precision products for education and training—audiovisual equipment, instructional materials, training services, auto-driver trainers and closed circuit television—reached sharply higher levels.

New and continuing government programs to support and expand the school community have created additional opportunities as well as major challenges to the company.

Graflex, Inc., and its subsidiaries are currently the largest factor in the Corporation's participation in education markets. General Precision/Link, GPL Division of General Precision/Aerospace and Strong Electric also serve this market.

GRAFLEX, INC.

AUDIOVISUAL EQUIPMENT

Sales of 16 mm motion picture sound projectors, filmstrip projectors, and overhead projectors were at record levels. To meet the increased demand forecast, 53,000 square feet of manufacturing and office space were added and shipping capacity increased 50%. New tape and numerically-controlled high-speed machine tools and semi-automated production lines enabled the company to increase motion picture and filmstrip projector production 2½ and 3 times respectively by the end of the year.

A completely new filmstrip projector and three additional models of 16 mm motion picture sound projectors will further broaden Graflex's line of audiovisual products and reflect favorably in sales in 1967.

SOCIETY FOR VISUAL EDUCATION, INC.

SVE is a leading producer and distributor of filmstrips, 2"x2" slides and Picture Story Study Prints.® SVE instructional materials are utilized in elementary and secondary schools, with Picture Story Study Prints® found particularly helpful in pre-school, kindergarten, and elementary grades. Improvement is expected in 1967 over the excellent level of operations experienced in 1966. To maintain its position and reputation as an innovator of instructional materials for classroom use, considerable effort is being expended in the development and expansion of the current library of filmstrips and study prints, as well as in exploring new and developing product opportunities in the educational market.

DORN OPTICS

This company's output of lenses and flat glass has risen almost 100% and has been geared primarily to meet Graflex's expanding needs. However, with improving technology and capacity the opportunity exists for sales to other customers, and the primary marketing objective in 1967 is to broaden Dorn's base of customers for optical products.

VISUAL PROGRAMMING, INC.

Acquired in September, 1966, this company produces training programs and teaching machines for industrial use, further broadening General Precision's capabilities to serve education and training markets. Emphasis is being placed on the development of programmed learning courses and equipment to train and upgrade unskilled workers.

BRECKINRIDGE JOB CORPS CENTER

This center has been operated by Graflex, Inc. for the U.S. Office of Economic Opportunity since July 1, 1966. Located at Morganfield, Kentucky, it is one of ten Job Corps Urban Centers for men, school

dropouts between the ages of 16 through 21, who voluntarily join the program. Corpsmen reside at the Center and the training program is a combination of basic education and vocational work-skill development.

A typical day at the center includes work, job-skill training, individual study with professional teachers and counselors, discussion sessions and recreation. Job training is for the following vocations:

Automotive and autobody repair
Service station attendant
Electronic technician including appliance and electric motor repair
Landscaping and gardening
Culinary arts
Retail sales

1600 young men from all parts of the country were enrolled at Breckinridge by the end of 1966 and the projected level of enrollment for 1967-1968 is 1900. A dedicated staff of approximately 700 men and women has been outstanding in performance and has made the major contribution to the success of the activity.

Graflex and General Precision are privileged to have this opportunity to help the disadvantaged young men who have placed themselves in the Job Corps in order to have this new chance to become productive citizens.

General Precision is one of several industrial concerns which have accepted the challenge and responsibility of assisting these men to learn the skills required to earn a living and to take their places in American society . . . to grow socially, economically and intellectually.

SCHOOL TRAINER DIVISION FORMED

A new division was formed at General Precision/Link in November, 1966 to expand activities in driver education and associated electronic teaching and testing



Society For Visual Education, Inc.'s Talking Picture Story Study Prints® have found wide acceptance in elementary and pre-school classes.



Graflex's overhead projector for classroom use, introduced late in 1965, was excellently received by school people.

systems and equipment, areas in which Link has been working for several years. Currently, there are more than 18,000 high schools in the United States which are potential users of the Link Allstate Good Driver Trainer. The marketing of this product has been stimulated by the passage of the Federal Highway Safety Act, which establishes the use of driving simulators in driver education and provides funds to states for the purchase of such equipment.

Introduction of simulation to driver instruction makes it possible for the great majority of schools to teach driver training as a part of the curriculum. The use of simulators permits the teaching of good driving habits in complete safety. All this is accomplished at a substantial cost reduction compared with the cost of training the same number of students without using simulators.

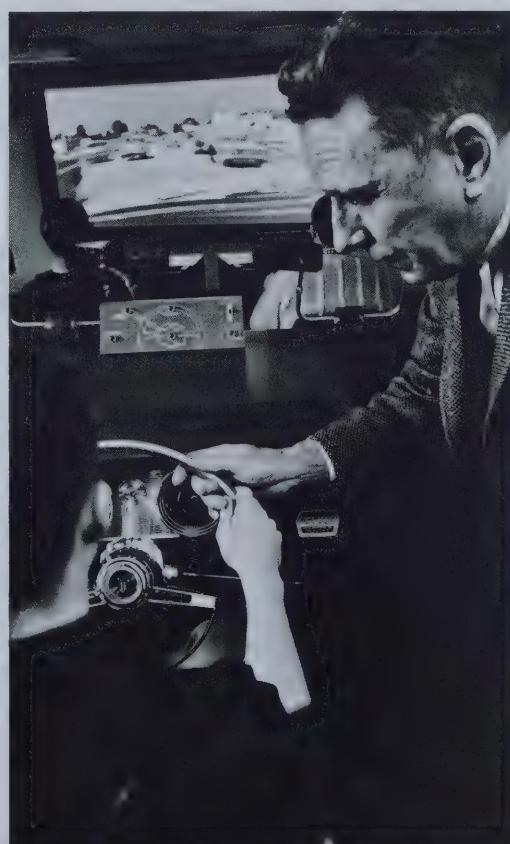
The company also has developed an electronic testing system for use in driver's license testing. It is now under evaluation in the field. This solid-state system facilitates giving the mental portion of the driver examination through electronic scoring of an applicant's answers. Production units will be available in the latter part of 1967.

CLOSED-CIRCUIT TELEVISION FOR SCHOOLS

Sales of closed-circuit television equipment to schools by GPL Division were well ahead of 1965. A new viewfinder camera which had been introduced to the school market late in 1965 contributed to the increase. The company has become an important supplier of closed-circuit TV studio equipment for in-school origination of educational programs. To increase its activity in school markets, the company is broadening its line of TV studio viewfinder cameras, cameras for classroom purposes, film-chains and other auxiliary equipment.



Television studio equipment for in-school origination of teaching programs is becoming an increasing percentage of GPL's closed circuit television business.



Vocational training is an important part of the Breckinridge Job Corps Center program. Graflex, Inc., operates the center for the U.S. Office of Economic Opportunity.

An instant-feedback panel on the Link Allstate Good Driver Trainer allows students to be made immediately aware of their mistakes and the instructor to make corrective suggestions at the time the error is made.

General Precision Equipment Corporation

Affiliated Companies:

General Precision Decca Systems, Inc., Washington, D. C.

Owned jointly by GPE and The Decca Navigator Co., Ltd.

Ocean Systems, Inc., New York, N. Y.

Owned jointly by GPE and Union Carbide Corporation.

AMERICAN METER COMPANY (formerly Amercon Corporation)

VAPOR CORPORATION
DIVISIONS:
Railroad and Transit
Väp-Air
Vä-Power
Vapor International
SUBSIDIARIES:
Industrial Timer Corp.
Line Electric Co. Division

Camera Optics Corp.
Texsteam Corp.
Roth Rubber Co.
Illinois Precise Casting Co.

AFFILIATE:
Malaker Corporation

AMERICAN METER CONTROLS

BUFFALO METER COMPANY

GENERAL PRECISION, INC.

AEROSPACE GROUP
GPL Division
Kearfott Products Division
Kearfott Systems Division

LIBRASCOPE GROUP
Components Division
Systems Division

LINK GROUP
Industrial Controls Division
Ordnance Division
School Trainer Division
Systems Division

TELE-SIGNAL CORPORATION

GENERAL PRECISION CONTROLS, INC.

CONTROLS COMPANY OF AMERICA
DIVISIONS:
Appliance and Automotive
Control Switch
Heating and Air Conditioning
Motor
Andrick Tool Manufacturing

GRAFLEX, INC.
SUBSIDIARIES:
Dorn Optics Corporation
Society For Visual Education, Inc.
Visual Programming, Inc.

NATIONAL THEATRE SUPPLY COMPANY

THE STRONG ELECTRIC CORPORATION

Companies and Products

AMERICAN METER CO., Philadelphia, Pa.

Industrial and residential gas meters, orifice meters, liquid transfer pumps, instrumentation, pressure regulators for the gas industry.

Subsidiaries:

AMERICAN METER CONTROLS Industrial sales division of American Meter

BUFFALO METER CO., Buffalo, N.Y. Liquid meters for industry and water utilities.

VAPOR CORP., Chicago, Ill.

Divisions: (located in Niles, Ill.)

RAILROAD AND TRANSIT

Temperature controls, heating specialties, automatic door systems, controls, relays, steam generators and electronic devices for the transportation industry.

VÄP-AIR

Environmental control systems, pneumatic controls, valves and pressure regulators.

VÄ-POWER

Steam generators, liquid phase heaters, hot water boilers, heating specialties for general industry.

VAPOR INTERNATIONAL

International sales and licensing of Vapor Corp. products.

Subsidiaries:

INDUSTRIAL TIMER CORP., Parsippany, N.J.

Synchronous motor-driven and electronic timers, punched tape programmer marine products.

LINE ELECTRIC CO. DIV.
Relays.

CAMERA OPTICS CORP., Long Island City, N.Y.
Audiovisual equipment.

TEXSTEAM CORP., Houston, Tex.

Safety, relief and plug valves, injector pumps, gas controls, steam generator

ROTH RUBBER CO., Chicago, Ill.

Custom rubber molded products.

ILLINOIS PRECISE CASTING CO., Franklin Park, Ill.

Investment castings.

GENERAL PRECISION, INC., Tarrytown, New York

AEROSPACE GROUP, Little Falls, N.Y.

GPL DIVISION, Pleasantville, N.Y.

Doppler radar navigation systems for aerospace applications; information handling and data display systems. Closed circuit television for industry, education and defense.

KEARFOTT PRODUCTS DIVISION

Servomechanisms; airborne analog, digital, hybrid computers; analog/digital conversion subsystems; pilot's controls and displays; ground support equipment hydraulic and electro-mechanical aircraft and missile controls.

KEARFOTT SYSTEMS DIVISION, Wayne, N.J.

Systems for navigation, guidance and control for aerospace, land and sea-going vehicles, precision inertial components—gyroscopes, accelerometers, platforms

Edwards
Subsidiaries:
Vapor International, Holland
Vapor Heating Ltd., Canada
Texsteam Ltd., Canada

Affiliate:
Vapor Carnes Ltd., Canada

Subsidiary:
Canadian Meter Co., Ltd.
Nalco

Affiliates:
Internationale Gas Apparaten, N.V., Holland
Medidores, S.A., Mexico

Affiliates:
Breda-Precision S.p.A.
Rome, Italy
Mitsubishi Precision Co., Ltd.
Tokyo, Japan
Nihon Regulator Co., Ltd.
Tokyo, Japan

Licenses:

The Decca Navigator Co., Ltd.
London, England
Decca Radar, Ltd.
London, England
Dominicis, S.A. de C.V.
Mexico City, Mexico
Ferranti Limited
Edinburgh, Scotland
Lancashire, England
Microtecnica S.p.A.
Turin, Italy
Racal Electronics Ltd.
Bracknell, England

Redifon Air Trainers, Ltd.

Aylesbury, England

Regulator S.R.L.

Milan, Italy

Rotax Limited

London, England

Schoppe & Faeser GmbH

Minden, West Germany

Siemens Inc.—

Siemens & Halske Operations

Munich and Braunschweig,

West Germany

Société d'Applications
Générales d'Électricité et
de Mécanique (SAGEM)
Paris, France

Tokyo Aircraft
Instrument Co. Ltd.
Tokyo, Japan

Vactric Control

Equipment Ltd.

Morden, Surrey, England

Whessoe Limited
Darlington, England

Foreign Subsidiary of GPE

General Precision Systems (ATM) Ltd.
London, England

Subsidiaries:
Controls Co. Canada, Ltd.
Controls Co. Italia, S.p.A.
Controls Co. (U.K.) Ltd.
Controls France S.A.
Controls Maatschappij
Europa N.V. (Holland)

Affiliates:

Controls A.G. (Switzerland)
Deutsche Controls GmbH
Controls Automaticos
Sermar, Ltda. (Brazil)
Controls Co. of America
(Argentina) S.A.
Controls Co. of Japan, Ltd.
Eilbeck Holding Pty., Ltd.
(Australia)

Subsidiary:
Grafex of Canada, Ltd.
Toronto

LIBRASCOPE GROUP, Glendale, Calif.

COMPONENTS DIVISION

Disc memory systems, woven plated wire memories, encoders, integrators and other digital equipment for computers and data processing systems.

SYSTEMS DIVISION

Computer systems and components for anti-submarine warfare weapon control systems; mass memories for computers and data processing systems; precision optical systems and instrumentation.

LINK GROUP, Binghamton, N.Y.

INDUSTRIAL CONTROLS DIVISION, Morton Grove, Illinois

GPE Controls and Shand & Jurs industrial control systems; electronic, hydraulic and mechanical components for industry.

ORDNANCE DIVISION, Sunnyvale, Cal.

Electro-explosive, electronic, and specialty magnetic ordnance systems and components.

SCHOOL TRAINER DIVISION

Auto driver trainers.

SYSTEMS DIVISION

Commercial and military flight simulators, spacecraft simulators; visual systems; radar land mass simulators; data storage and retrieval systems; space information systems; range timing and instrumentation systems; vehicle detection and control devices; scientific programming services.

TELE-SIGNAL CORPORATION, Hicksville, N.Y.

Specialized electronic equipment used for long distance telegraph, telephone and data communications.

GENERAL PRECISION CONTROLS, INC., Tarrytown, N.Y.

CONTROLS COMPANY OF AMERICA, INC., Melrose Park, Ill.

APPLIANCE AND AUTOMOTIVE DIVISION, Schiller Park, Ill.
Timers, switches, solenoids, valves, signal devices, electronic moisture sensing controls and permanent magnet synchronous motors.

CONTROL SWITCH DIVISION, Folcroft, Pa.

Basic precision, sealed and lighted switches and indicator lights.

HEATING AND AIR CONDITIONING DIVISION, Milwaukee, Wis.

Oil heating controls; burners, refrigeration, air conditioning valves, filters, driers; automatic gas control & manual shut-off valves; electronic spark gas ignition systems.

MOTOR DIVISION, Owosso, Mich.

Fractional horsepower motors and blowers.

ANDRICK TOOL MANUFACTURING DIVISION

Automation machinery, special tools, dies.

GRAFLEX, INC., Rochester, N.Y.

Photographic equipment; audiovisual equipment; instructional materials and training services for education and industry; precision electro-mechanical products.

SOCIETY FOR VISUAL EDUCATION, INC., Chicago, Ill.

Instructional materials: filmstrips, slides, study prints, and related products.

VISUAL PROGRAMMING, INC. N.Y., N.Y. | DORN OPTICS CORP., Webster, N.Y.

Training programs, materials & devices. | Lenses, condensers, flat glass & prisms.

NATIONAL THEATRE SUPPLY COMPANY, Paramus, N.J.

Theatre equipment and supplies.

THE STRONG ELECTRIC CORPORATION, Toledo, Ohio

High-intensity light-projecting equipment for theatres, arenas, photomechanical reproduction, highway guidance, environmental tests and military uses.

Amercon Corporation

(AS A SUBSIDIARY OF GPE, AMERCON WILL OPERATE UNDER THE NAME OF AMERICAN METER COMPANY.)

Amercon Corporation was formed in March, 1966, with the merger of American Meter Company and Vapor Corporation. Products of Amercon serve a broad range of markets, principally the gas industry, transportation including urban mass transit, petroleum, defense and water utilities.

American Meter Company, established in 1836, is the world's foremost manufacturer of gas measurement and control equipment, serving the nation's sixth largest industry in the production, transmission and distribution of gas to the ultimate consumer. In addition, it has a broad line of industrial liquid meters and pumps used for fluid measurement and control.

Vapor Corporation, in its fifty-year history, has grown to be one of the major suppliers to the railroad and transit industries. Its principal products are controls, heating specialties and other products for the transportation industry, heating and temperature control systems for manned aircraft and timing devices and programmers for the growing field of automation application. In addition, its subsidiaries manufacture investment castings, molded rubber products and pumps, valves and steam generators.

AMERICAN METER COMPANY

Gas Meters

The product line provides a complete selection of sizes of positive displacement gas meters, from the small domestic type found on homes to large industrial types measuring gas to boilers. A temperature compensation feature developed by American Meter has been a stimulant to sales. It adjusts for gas temperature changes and always provides a meter reading at a designated standard temperature regardless of a change in actual temperature. This feature allows the utility company to install the meter outdoors. It not only saves on installation

costs but reduces meter reading time and eliminates costly "call backs" when the meter reader cannot enter the house.

Pressure Regulators

A new line of pressure reducing regulators with automatic safety shutoff devices was introduced and was well received by customers. Used in gas distribution systems in public buildings, these regulators prevent the danger inherent when either excessive or too little gas pressure is present. New additions to this product line are planned.

Orifice Meters

Gas transmission and production companies are prime targets for American Meter's broad line of measurement and control equipment. The standard means of measurement for large volumes of gas at high pressure is the Orifice Meter which operates by sensing the pressure differential through a calibrated obstruction, called an orifice plate, in a pipeline. Sales of orifice meters represent the largest volume of all the company's products sold to these companies.

Complementing the line of orifice meters are portable pressure and temperature recorders which enable customers to check critical points in a pipeline and needle valves for a variety of shutoff applications.

Demand for these products is expected to grow along with population growth and the continued increasing use of natural gas.

Industrial Meters

The industrial meters produced by Buffalo Meter Co. are used for liquid measurement in a variety of applications. They are available in a wide selection of materials and capacity ranges to meet the diversified measurement problems of liquid processing systems. A complete selection of accessories makes them a desirable product line for manual or auto-

matic batching stations. A single operator can batch or blend a variety of ingredients for various end products such as chemicals, pharmaceuticals, insecticides, food ingredients, paints, oils, and related liquids. A new magnetic drive stainless steel chemical meter will be introduced this year and should add to sales.

A stainless steel LO-FLO Meter was introduced in 1966, with marketing directed to chemical and petroleum plants. It is used for accurately measuring small volumes of expensive or corrosive liquids and fills a void in these markets not covered by any other manufacturer.

Water Meters

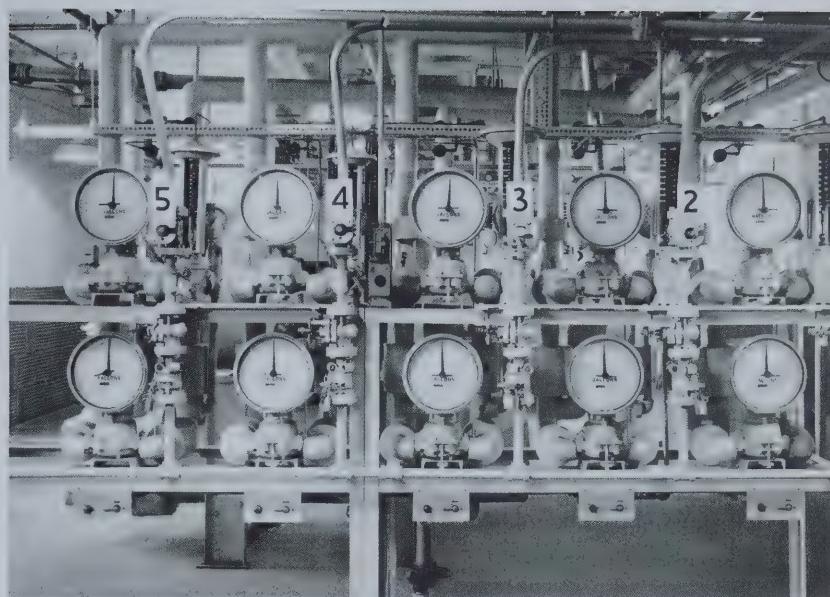
Buffalo Meter also provides access to the water utility market with a complete line of improved domestic and commercial size water meters.

The national drought and critical water shortages in metropolitan areas have spotlighted the importance of conserving existing water supplies. The best conservation method yet found to control the use of water is to meter it. When people or industries are billed for the exact amount of water used, voluntary conservation has been an immediate result in every instance.

American Meter recognizes this area of the national economy as important to its future and plans to devote a significant effort commensurate with the size of the market.

Industrial Pumps

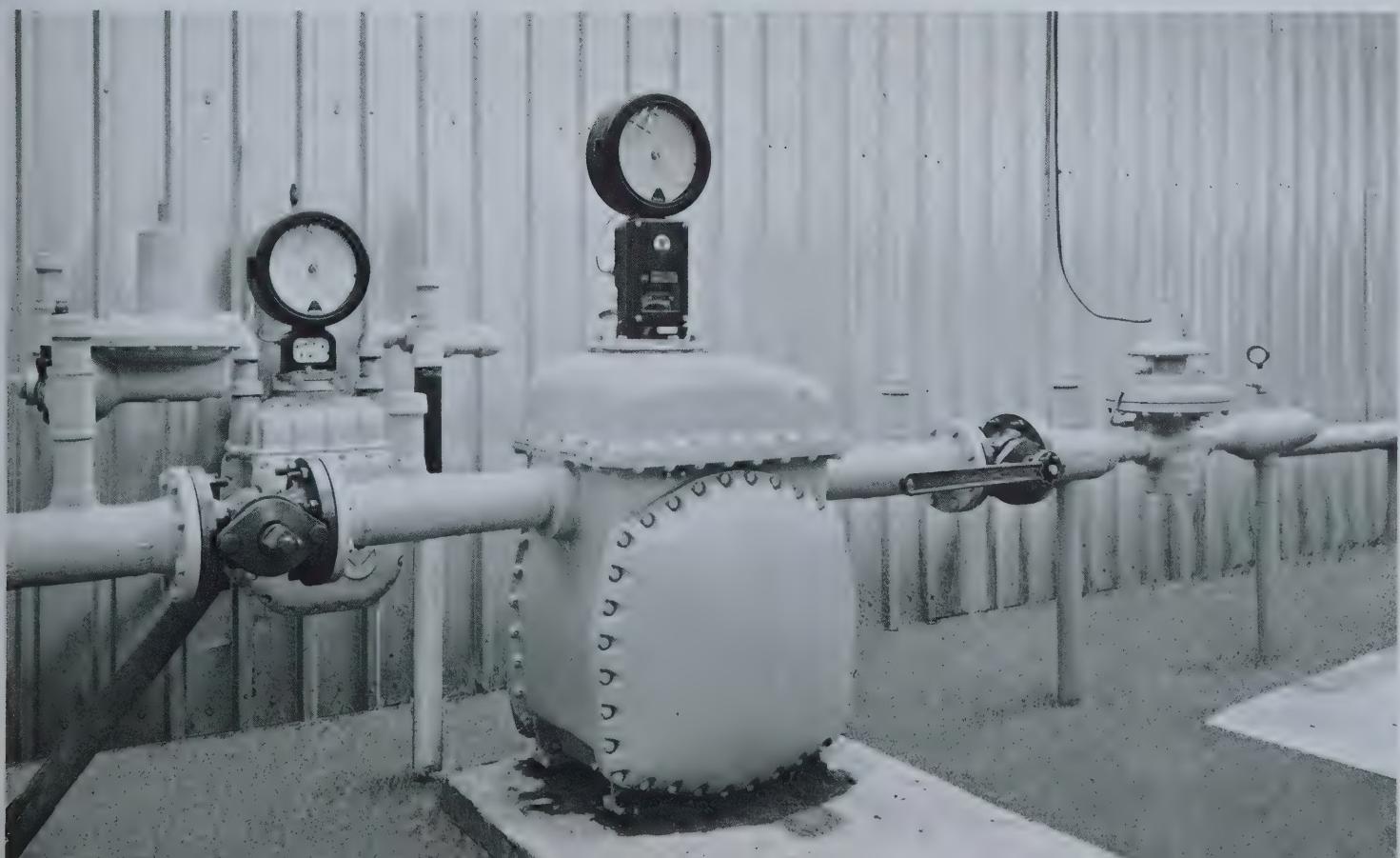
The company manufactures both liquid transfer and proportioning pumps used by a number of industries. Proportioning pumps accurately inject small quantities of additives into blending systems such as chemical processing, petroleum refining and water treatment plants. A new diaphragm-type model received good customer acceptance during the year, particularly in the handling of toxic



Industrial liquid meters serve industry in a variety of ways. A typical installation shows a bank of meters used for dispensing transmission fluid in an auto assembly plant. Meters can be furnished in models to meet almost any liquid measurement problem. These are products of Buffalo Meter Company.

Domestic gas meters have been a primary product line of American Meter Company since 1836. Thousands of models similar to those installed on this condominium apartment are produced annually.

American industrial size gas meters, pressure reducing regulators and pressure recording and compensating devices are widely accepted by gas utility companies throughout the world.



materials. The liquid transfer pumps are used for petroleum and other viscous products.

International Operations

American Meter Company products are manufactured and sold in Canada, Mexico, and Europe. Canadian Meter Company, Limited, is the oldest and largest manufacturer of gas meters and allied equipment for the Canadian market, which it has served for over fifty years. It has been particularly successful in its marketing of temperature compensating gas meters which many Canadian utilities are now installing.

Medidores, S.A. (Meters, Inc.) an affiliated company, is at present the largest manufacturer of gas meters in Mexico and also markets gas pressure regulators. The country is promoting the transmission and distribution of gas to many cities. This, plus the discovery of large gas reserves, can yield an expanding market for the company's products.

With the discovery of gas reserves in the North Sea, the European gas industry is expanding. An affiliated company, Internationale Gas Apparaten N.V. in Holland was formed in 1964. In 1966, its plant began manufacturing products for the European natural gas industry.

VAPOR CORPORATION

Vapor Corporation has an excellent position in the transportation-control market. Its product line and reputation has enabled the company to participate importantly in the growing rapid transit market. In addition, it has expanded its sales and capabilities in environmental control systems for aircraft and in control applications for its timing products.

Transportation Products

The company's Railroad and Transit Division has a diversified mix of products applicable to passenger and commuter

transportation equipment, freight equipment, and diesel locomotives.

It is the primary supplier of heating and heating-control equipment for passenger and freight trains and rapid transit. Among its important products are steam generators and electric heating equipment and components including valves, thermostats and control panels. Other products are heavy-duty relays and contactors for diesel engines and switch heaters for railroad yards. It is a principal supplier of car-door operating and control devices for the metropolitan transit field.

The company's specialized knowledge in the rapidly expanding field of urban and interurban high-speed transit systems places it in an excellent position to participate in this growing market. In addition to door operators, the company manufactures comfort control systems for this market. Many of these door operating systems are especially engineered and designed to customers' specifications for the new generation of transit cars. Typical of these is the development of a plug-type door operator for the high-speed trains designed by United Aircraft and being built by Pullman Incorporated for the northeast corridor high-speed run between Boston and New York.

Environmental Controls for Aircraft

Väp-Air Division manufactures a wide variety of components and systems for defense and commercial aircraft applications. Components include anti-icing valves, oil cooler controls, hot-air high-pressure bleed and check valves, solid state power supplies and systems. The equipment supplied to the aircraft market must meet rigid weight and environmental specifications. Virtually every U.S. military aircraft now flying has Vapor equipment on it, as do the commercial jets now in operation.

In addition, the division is a supplier of components and subsystems in the en-

vironmental area for the F-111 aircraft.

New products and developments which broaden its line of environmental control products provide a base for continued growth. In 1966 the company acquired a two-thirds interest in Malaker Corporation. This is a developmental company in the field of cryogenic equipment and instrumentation. Cryogenics may be defined as the application of extremely low temperatures to a variety of scientific, industrial and operative situations. Malaker manufactures a miniature cooler or refrigerator which is patented and sold under the name of Cryomite®. It also manufactures instrumentation for measurement and control in the cryogenic temperature range—below 200°F. Cryogenic refrigerators are used in fields such as infrared sensors and cooling of lasers.

Products for General Industry

The proper operation of automation equipment depends significantly on time, its measurement and control. Proper timing is also important to maximum efficiency in the operation of instrumentation, machine tools and business machines of various kinds.

Industrial Timer Corporation serves these industrial areas with a complete line of timing controls. Its most important products are synchronous motor-driven timing devices. It offers a greater variety of these products than any other manufacturer of such devices. Expanding automation of industry has generated growing demand for the company's controls.

Texsteam Corporation's valves, pumps and regulators are sold primarily to oil producing and gas transmission and distribution companies. It also has a complete line of high pressure steam generators and oil heaters for oil field services. In 1966, The EdJohn Company, a manufacturer of check valves, was acquired, further complementing the company's line of oil field equipment.



New Montreal Metro cars are going into service now and will serve the millions of visitors to Expo '67. Vapor heating and ventilating systems and controls will assure passenger comfort. Vapor Dor-Trol operators will power the automatic doors.



American proportioning pumps are used for additive injections in many diversified applications. The pump system shown above is injecting a special fire dampening chemical into the water stream of fire fighting apparatus.

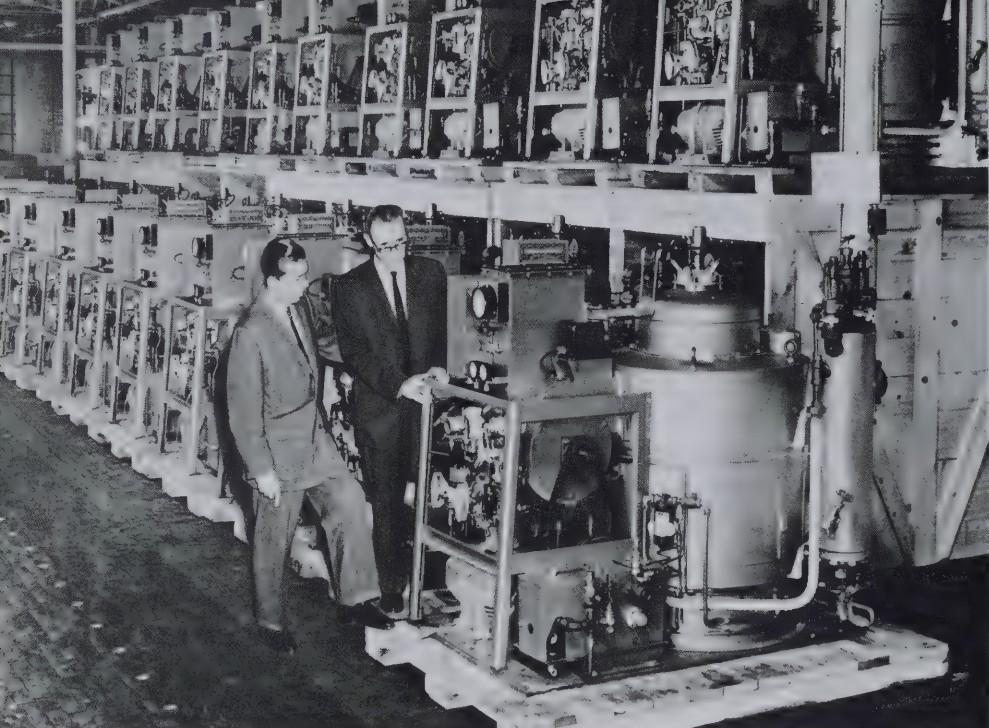


These cars, designed by United Aircraft and being built by Pullman Incorporated, will be equipped with Vapor-designed plug door operators and step

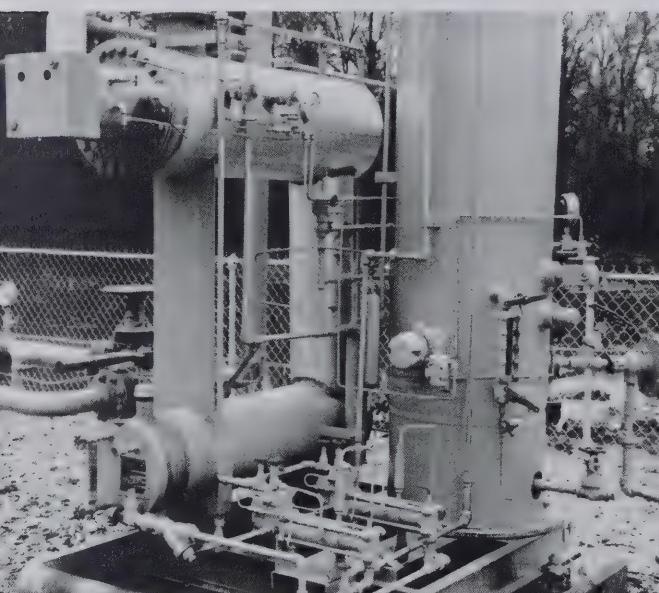
Measurement and control instruments made by American Meter are used by gas, petroleum and general industrial companies. Adaptations of these instruments can be used for the measurement and control of gas, steam or liquids. The market for these products is increasing.

operators. These high-speed trains will go into service in the northeast corridor of the United States between Boston and New York.



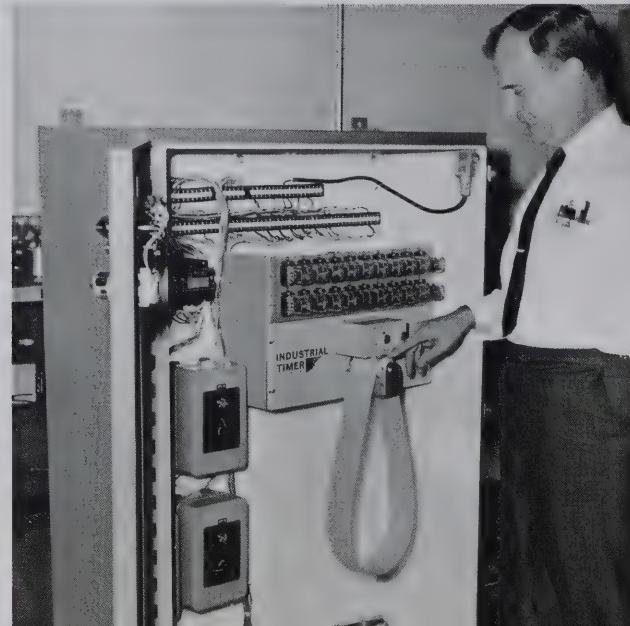


These steam generators, destined for European railways, were sold by Vapor's International Division.



Well-head glycol dehydration unit at site of major gas-producing company removes water from production gas stream. Texsteam provides the JET-STREAM gas regulator, GLYCOL pumps and CHECK-STREAM dump valve, important to this installation.

A recent development of Industrial Timer is a punched-tape programmer becoming increasingly important in the expanding fields of automation.



Illinois Precise Casting Company makes precision investment castings which need little or no machining. This feature is highly desirable in view of today's low-cost oriented manufacturing processes.

Roth Rubber Company makes molded rubber products marketed to machinery, automotive and appliance manufacturers.

Vä-Power boilers are designed for commercial and industrial applications. A unique coil-design enables a small-size boiler to provide quick steaming characteristics and high pressures, outputs and efficiencies. These and related products are sold abroad as well as in the United States and Canada.

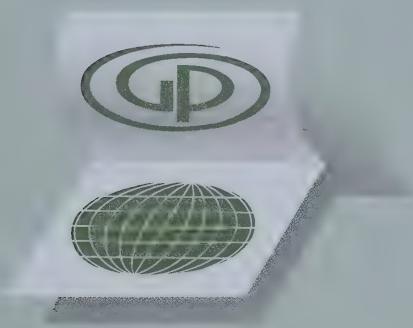
International Operations

The International Division of Vapor Corporation distributes railroad and rapid transit products and industrial steam generators throughout the Free World.

A subsidiary in Holland, Vapor International, manufactures several of the company's products for sale in the European Common Market. The market for Vapor products for European railroads continues strong as diesel locomotives replace steam engines and as new passenger cars are added. The company's compact coil-type steam generators, specifically designed for diesel use, and its comfort control systems are in good demand overseas for heating trains.

In addition to export and subsidiary sales, Vapor Corporation has licensed major companies abroad for the manufacture and sale of various of its products, including steam generators, door operating and safety devices for rapid transit and other commercial applications.

Vapor Heating Limited, operating in Canada, parallels the company's operations and products in this country. The Canadian subsidiary maintains separate engineering facilities to cope with the special requirements of Canadian railroads and transit authorities.



GENERAL PRECISION EQUIPMENT CORPORATION

Financial Statements

GENERAL PRECISION EQUIPMENT CORPORATION
and subsidiary companies

Consolidated Balance Sheet

Assets	December 31,	
	1966	1965
CURRENT ASSETS:		
Cash	\$ 15,907,219	\$ 19,518,825
Short-term investments, at cost, which approximates market.....	711,880	1,276,356
Receivables, including amounts related to government contracts, less estimated doubtful receivables of \$1,220,031 in 1966 and \$749,481 in 1965 (Note 5).....	78,432,133	67,121,139
Material, labor and other costs relating to contracts and jobs in process, less progress payments of \$41,088,457 in 1966 and \$25,502,600 in 1965 (Note 6).....	57,682,701	43,727,319
Inventories, at cost or market whichever is lower	54,434,846	47,654,415
Other current assets	4,421,634	6,305,066
Total current assets	211,590,413	185,603,120
INVESTMENTS:		
50% controlled affiliated European companies, at equity in underlying net assets (Note 1)	4,063,176	3,564,492
Non-consolidated subsidiaries and other investments, at cost less reserve (Note 1).....	5,794,436	4,675,600
	9,857,612	8,240,092
PROPERTY, PLANT AND EQUIPMENT, at cost less depreciation and amortization:		
Land	4,583,819	4,279,316
Buildings	40,232,139	33,045,145
Machinery and equipment	79,791,306	70,767,396
Leasehold improvements	4,522,544	4,097,609
Less — Depreciation and amortization	(68,501,733)	(59,185,297)
	60,628,075	53,004,169
INTANGIBLE AND OTHER ASSETS, less amortization		
	9,001,381	7,824,560
	\$291,077,481	\$254,671,941

Liabilities and Stockholders' Equity

December 31,
1966 1965

CURRENT LIABILITIES:

Notes and mortgages payable (Note 7)	\$ 41,414,698	\$ 21,109,377
Accounts payable — trade	21,752,104	18,067,237
Income taxes payable, principally United States (Note 4)	9,779,591	6,068,302
Provision for price redetermination	3,809,563	2,932,056
Dividends payable	71,832	361,135
Other accounts payable and accrued liabilities	22,551,005	18,062,494
Total current liabilities	99,378,793	66,600,601

DEFERRED UNITED STATES INCOME TAXES AND OTHER

DEFERRED CREDITS (Note 4)	6,863,892	4,776,096
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LONG-TERM NOTES AND MORTGAGES PAYABLE (Note 7)

29,346,242 30,328,310

STOCKHOLDERS' EQUITY:

Capital stock (Notes 8 and 9):

Preferred Stock, no par value, 500,000 shares authorized, 61,774 shares of \$4.75 Series outstanding	6,177,400	6,618,700
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Preference Stock, no par value, convertible, 2,500,000 shares authorized, 1,382,911 shares of \$1.60 Series outstanding	55,316,440	58,471,160
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Common Stock, \$1 par value, 7,500,000 shares authorized, 3,867,189 shares outstanding at stated value	19,636,871	19,727,008
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Paid-in surplus, per statement attached	74,784,117	2,324,184
Earned surplus, per statement attached (Note 7)		66,253,053

Less — Treasury stock — 1,284 shares of \$4.75 Preferred Stock and 10,300 shares of Common Stock, at cost	(426,274)	(427,171)
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Total stockholders' equity	155,488,554	152,966,934
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\$291,077,481 **\$254,671,941**

GENERAL PRECISION EQUIPMENT CORPORATION

and subsidiary companies

Consolidated Statement of Income

	For the year ended December 31,	
	1966	1965
Sales and other income:		
Net sales	\$440,438,609	\$391,114,866
Equity in earnings of affiliated companies	612,170	672,764
Other income—net	<u>1,953,080</u>	<u>1,945,343</u>
	<u>443,003,859</u>	<u>393,732,973</u>
Deductions:		
Material, labor and other costs and expenses	386,140,255	345,363,644
Depreciation and amortization	10,203,491	9,550,639
Contributions under employees' retirement plans	3,700,267	3,789,865
Interest	<u>3,335,307</u>	<u>3,129,832</u>
	<u>403,379,320</u>	<u>361,833,980</u>
Income before provision for income taxes	39,624,539	31,898,993
Income taxes, principally United States, or equivalent provision (Note 4)	<u>19,077,823</u>	<u>15,329,216</u>
Net income for the year	<u>\$ 20,546,716</u>	<u>\$ 16,569,777</u>

GENERAL PRECISION EQUIPMENT CORPORATION

and subsidiary companies

**Consolidated Statements of Earned Surplus
and Paid-in Surplus**

	Earned Surplus		Paid-in Surplus	
	For the year ended December 31,		For the year ended December 31,	
	1966	1965	1966	1965
Balance at beginning of period (General Precision, Controls Company and Amercon combined) .. .	\$66,253,053	\$64,814,950	\$2,324,184	\$34,733,888
Excess of par value of Common and carrying amount (liquidation value) of \$1.60 Preference Stocks, issued by General Precision in poolings, over related Common Stock carrying amounts of Controls Company and Amercon (Notes 2 and 3) .. .		(7,811,387)		(32,391,183)
Cost of 151,792 common shares of Vapor Corporation, a company merged into Amercon, purchased and retired in March, 1966, less \$3,137,035 charged to pooled capital stock accounts.....		(4,148,981)		
Fees for consulting services and other estimated expenses of combinations.....			(2,706,679)	(97,421)
Amounts, net, arising from issuances and retirements of common shares (increase of 11,058), preferred shares (decrease of 4,413) and preference shares (decrease of 2,972)—principally shares issued on exercise of stock options and conversions of Preference Stock (Notes 8 and 9)			382,495	78,900
Net income .. .	20,546,716	16,569,777		
Cash dividends:—				
General Precision:				
\$4.75 Preferred Stock .. .	(292,637)	(310,434)		
\$1.60 Preference Stock .. .	(308,943)	(94,418)		
Common Stock—per share \$1.275 in 1966 and \$1.20 in 1965.....	(2,629,111)	(1,959,259)		
Controls Company and Amercon prior to combination .. .	(4,635,980)	(4,956,176)		
Balance at end of period (Note 7) .. .	<u>\$74,784,117</u>	<u>\$66,253,053</u>	<u>—</u>	<u>\$ 2,324,184</u>

GENERAL PRECISION EQUIPMENT CORPORATION

and subsidiary companies

Notes to Consolidated Financial Statements for the Year ended December 31, 1966

NOTE 1—PRINCIPLES OF CONSOLIDATION:

The financial statements include all significant domestic and foreign subsidiaries. Investment in 50% controlled affiliated European companies is carried at equity in underlying net assets. Investment in the non-consolidated subsidiaries and in other affiliates, all foreign, is carried at cost less reserve. See Notes 2 and 3 regarding accounting treatment of recent significant combinations.

Net assets of consolidated subsidiaries operating in foreign countries, except Canada, amounted to \$4,108,628 and \$4,180,010 at December 31, 1966 and 1965, respectively. Net income of such subsidiaries as included in consolidation was \$333,012 in 1966 and \$41,695 in 1965. Retained earnings applicable to the 50% controlled affiliated companies were \$1,994,069 and \$1,648,439 at December 31, 1966 and 1965, respectively (see Note 4); cash dividends received from these companies were not material.

NOTE 3—COMBINATION WITH AMERCON CORPORATION:

Stockholders of Amercon Corporation and General Precision on March 20, 1967 and March 21, 1967, respectively, approved an Agreement dated January 10, 1967 and related Plan of Reorganization. In connection therewith, the Corporation increased the number of shares of authorized Common Stock from 3,500,000 to 7,500,000 and Preference Stock from 1,500,000 to 2,500,000 shares. The Agreement and Plan became effective on March 24, 1967. By terms of the Agreement, all outstanding shares of Amercon Common Stock are exchangeable for 1,411,704 shares of Common Stock and 1,058,778 shares of \$1.60 Preference Stock of General Precision.

The accounts of foreign subsidiaries and affiliates have been translated into U.S. dollars at year-end rates of exchange, except for fixed assets and related depreciation, as to which rates at the time of acquisition of the assets were used.

NOTE 2—COMBINATION WITH CONTROLS COMPANY OF AMERICA:

In May, 1966 stockholders approved an Agreement resulting in the exchange of all of the outstanding shares of Controls Company's Common Stock for 804,007 shares of Common Stock and 268,002 shares of \$1.60 Cumulative Convertible Preference Stock of General Precision. This transaction has been treated for financial accounting purposes as a pooling of interests and, accordingly, the accompanying financial statements reflect the combined accounts of the companies.

This combination has been treated for financial accounting purposes as a pooling of interests and, accordingly, the accompanying financial statements reflect the combined accounts of the companies. Amercon operates partly on the basis of 52-week fiscal years which ended December 25, 1966 and December 26, 1965. Following position of the Accounting Principles Board of the American Institute of Certified Public Accountants when business combinations consummated subsequent to financial statement date are presented retroactively on the pooling of interests basis, the following separate information of General Precision and Amercon is summarized based upon their respective audited financial statements:

	For the Year 1966			For the Year 1965		
	(000)			(000)		
	General Precision	Amercon	Combined	General Precision	Amercon	Combined
Net sales.....	\$348,659	\$ 91,780	\$440,439	\$307,679	\$ 83,436	\$391,115
Equity in earnings of affiliated companies.....	612		612	673		673
Other income.....	1,327	626	1,953	1,170	775	1,945
	<u>350,598</u>	<u>92,406</u>	<u>443,004</u>	<u>309,522</u>	<u>84,211</u>	<u>393,733</u>
Material, labor and other costs and expenses.....	316,028	73,813	389,841	283,207	65,946	349,153
Depreciation and amortization.....	8,059	2,144	10,203	7,487	2,064	9,551
Interest expense.....	3,139	196	3,335	3,092	38	3,130
	<u>327,226</u>	<u>76,153</u>	<u>403,379</u>	<u>293,786</u>	<u>68,048</u>	<u>361,834</u>
Income before provision for income taxes.....	23,372	16,253	39,625	15,736	16,163	31,899
Income taxes, including deferred.....	11,423	7,655	19,078	7,642	7,687	15,329
Net income.....	<u>\$ 11,949</u>	<u>\$ 8,598</u>	<u>\$ 20,547</u>	<u>\$ 8,094</u>	<u>\$ 8,476</u>	<u>\$ 16,570</u>
	December 31, 1966					
	(000)					
	General Precision	Amercon	Combined			
ASSETS						
Current assets.....	\$169,081	\$ 42,509	\$211,590			
Investments.....	7,753	2,105	9,858			
Property, plant and equipment.....	91,042	38,088	129,130			
Accumulated depreciation and amortization.....	(48,967)	(19,535)	(68,502)			
Intangible and other assets.....	7,921	1,080	9,001			
	<u>\$226,830</u>	<u>\$ 64,247</u>	<u>\$291,077</u>			
LIABILITIES AND DEFERRED CREDITS						
Current liabilities.....	\$ 84,393	\$ 13,336	\$ 99,379			
Deferred income taxes and other deferred credits.....	5,767	1,096	6,863			
Long-term indebtedness.....	29,016	330	29,346			
	<u>119,176</u>	<u>14,762</u>	<u>135,588</u>			
STOCKHOLDERS' EQUITY						
Preferred Stock, \$4.75 Series.....	6,177		6,177			
Preference Stock, \$1.60 Series.....	12,966		55,317			
Common Stock.....	18,225		12,321			
Paid-in surplus.....	29,894					
Earned surplus.....	40,818	38,819	74,784			
Treasury stock.....	(426)	(1,655)	(426)			
	<u>107,654</u>	<u>49,485</u>	<u>155,489</u>			
	<u>\$226,830</u>	<u>\$ 64,247</u>	<u>\$291,077</u>			

The financial statements of Amercon include (a) Vapor Corporation, which was merged into Amercon in March, 1966, and (b) Industrial Timer Corporation which was merged into Vapor Corporation in April, 1965. For financial accounting purposes these transactions, which were made through exchanges of capital stocks, have been accounted for by Amercon

as poolings of interests. Beginning in 1966, the financial statements of Amercon include the accounts of Vapor Heating Limited which became a wholly-owned subsidiary early in 1966, when the outstanding majority interest was acquired by purchase.

NOTE 4—INCOME TAXES:

After available tax deductions arising from loss on discontinuance of business computer operations, reserved for in prior years, United States income taxes payable for 1966 and 1965 were reduced to \$13,141,803 and \$9,115,835, respectively. Tax provisions charged to income for each year, however, have been determined by including charges equivalent to the full amounts which ordinarily would have been payable.

Tax provisions for 1966 and 1965 include deferred amounts of \$1,779,325 and \$677,583, respectively, arising principally from (1) certain plant expenses allowed for tax purposes as incurred but charged to income for financial accounting purposes in periods in which related contracts and jobs are recorded through income and (2) equity in earnings of 50% controlled affiliated European companies on which taxes may be payable upon distribution. Provisions for taxes have been reduced by investment tax credits of \$288,722 in 1966 and \$264,621 in 1965.

NOTE 5—NOTES AND CONTRACTS RECEIVABLE:

Receivables include notes and contracts receivable of \$4,336,055 at December 31, 1966 and \$3,931,117 at December 31, 1965 of which installments maturing later than one year totaled approximately \$2,275,901 and \$1,377,602, respectively, in accordance with the usual practice of finance companies. Notes receivable also include \$782,742 in 1966 and \$1,165,259 in 1965 representing the Corporation's equity in customers' notes receivable sold. Unearned financing charges of \$320,759 in 1966 and \$139,980 in 1965 have been deducted from the related notes receivable balances.

NOTE 6—MATERIAL, LABOR AND OTHER COSTS RELATING TO CONTRACTS AND JOBS IN PROCESS:

Contracts and jobs in process are stated at cost not in excess of estimated net realizable value. Under "cost-plus-fixed-fee" contracts, work in process is relieved of cost and profits are recorded as work is performed. Sales and profits under "fixed-price" contracts, which may or may not be subject to price redetermination, are not recorded until the units contracted for are delivered, and the profits recorded take into account estimated refunds, if any, under price redetermination clauses. Costs in excess of tentative billing prices of material shipped and billed under government contracts which permit retroactive price increases are carried in work in process; the billings in respect of such retroactive price increases and related costs are not recorded through income until the selling prices are redetermined. Profits taken into income during performance of certain contracts containing incentive clauses include the portion of incentive amounts reasonably determined to be attainable.

NOTE 7—NOTES AND MORTGAGES PAYABLE:

Notes and mortgages payable at December 31, 1966 representing obligations principally to banks, insurance companies and an affiliated company, comprised the following:

	Long-term	Current
Notes under loan agreements, 4 1/4% to 6% maturing 1969 to 1976	\$20,724,000	\$ 3,017,000
Short-term 5% notes outstanding under a revolving credit agreement expiring December 31, 1967 (maximum credit \$40,000,000)		32,000,000
Due to affiliate, 4% to 5%, maturing to 1969	1,794,206	1,410,630
Note, 5%, maturing semiannually to 1973	1,100,000	200,000
Obligation on manufacturing facility, payable in installments to 1971 plus interest at 4 1/2%	2,080,000	520,000
Notes payable to banks, 5% to 7%, maturing to 1971	1,226,965	3,820,136
Sundry notes and mortgages	2,421,071	446,932
	<u>\$29,346,242</u>	<u>\$41,414,698</u>

Provisions of the loan and revolving credit agreements and changes thereto contain, among other things, restrictions as to dividend payments with such restrictions relating to consolidated net income and to maintenance of consolidated net current assets. Based upon computations prescribed in the agreements as amended in 1967, consolidated earned surplus at December 31, 1966 included \$25,000,000 which was unrestricted for the payment of dividends on Common, Preferred and Preference Stocks.

NOTE 8—PREFERRED AND PREFERENCE STOCKS:

The \$4.75 Cumulative Preferred Stock has an involuntary liquidation preference of \$100 per share and a voluntary liquidation preference of, and is redeemable at the option of the Corporation at, \$103 per share on or prior to June 15, 1970 and \$102 per share thereafter. This series is entitled to a sinking fund to be set aside on or before May 1 of each year in an amount sufficient to redeem on the following June 15 at \$100 per share a number of shares equal to 4% of the number of shares issued prior to the sinking fund date.

The \$1.60 Cumulative Convertible Preference Stock has a voluntary and involuntary liquidation preference of \$40 per share, is redeemable at the option of the Corporation at \$42 per share and is convertible, subject to certain conditions, into Common Stock at the rate of two-thirds of a share of Common Stock for each share of \$1.60 Cumulative Convertible Preference Stock, the conversion rate being subject to adjustment in certain events. During 1966, 3,330 shares of Preference Stock were converted into Common Stock. At December 31, 1966 an aggregate of 921,941 shares of Common Stock were reserved for such conversion rights on the Preference Stock outstanding at that date.

NOTE 9—STOCK OPTIONS:

The Corporation has entered into option agreements with certain officers and employees of the Corporation and its subsidiaries. In connection with the combination with Controls Company, on May 20, 1966 General Precision assumed outstanding option agreements of that company at the agreed upon exchange ratio of 9/16 common share and 3/16 \$1.60 preference share of General Precision stock for each share of Controls Company stock. In the following table the number of shares with respect to such Controls Company options assumed by General Precision is expressed in terms of equivalent shares of General Precision Common and Preference Stocks and per share option prices and per share and total market values are expressed in terms of Controls Company shares.

Options outstanding and number of shares reserved therefor at December 31, 1966 are as follows:

	Number of shares	Option price Per share	Total	Market value at date granted Per share	Total
Common Stock—granted 1961-1966	99,904	\$27.50-65.50	\$4,781,890	\$27.37-68.81	\$4,795,100
Common Stock—granted 1957-1966	33,816				
\$1.60 Preference Stock—granted 1957-1966	11,272	7.84-27.59	1,517,539	8.25-29.04	1,538,985

The respective option prices are 100% (at least 95% before 1964) of the market value on the dates of the agreements. Subject to certain conditions, the options are exercisable in annual installments over four years (generally five years before 1964) generally commencing approximately one year from date of grant. During the year, options to purchase 10,195 shares of Common Stock and 1,695 shares of \$1.60 Preference Stock became exercisable and options to purchase 11,207 shares of Common Stock and 2,131 shares of \$1.60 Preference Stock were exercised.

NOTE 10—EXECUTIVE COMPENSATION AND BONUS PLANS:

The Corporation and its subsidiaries other than Controls Company and, at present, Amercon have an Executive Compensation Plan approved by the stockholders in 1960, and amended in 1965, and administered by a committee of directors who do not participate therein, whereunder officers and employees may be awarded additional compensation in the form of variable salaries (related to income) and incentive compensation (related to income and return on invested capital). Additional compensation awarded under the Plan, net of award cancellations, amounted to \$1,057,474 in 1966 and \$820,900 in 1965. Under certain conditions options for the purchase of Common Stock of the Corporation may be granted under the Executive Compensation Plan; options to purchase 3,451 shares were granted in 1966 (see Note 9).

Controls Company has a bonus plan adopted by its Board of Directors in 1961 which provides an annual amount, payable to key employees, based on income and return on invested capital. Bonus expense under the plan was \$253,150 in 1966 and \$240,200 in 1965.

The Corporation and certain subsidiaries have employment agreements with certain officers and retired officer consultants.

NOTE 11—RETIREMENT PLANS:

The Corporation and its subsidiaries have several retirement plans covering the majority of their United States employees and certain Canadian employees. Amounts charged to income as contributions under the retirement plans are funded and include, where applicable, amortization of prior service costs over various periods. Aggregate unfunded prior service costs as of December 31, 1966 are estimated to be approximately \$5,800,000.

NOTE 12—CONTINGENT LIABILITIES AND COMMITMENTS:

A substantial portion of sales relates to government business and is subject to renegotiation proceedings. The Renegotiation Board has advised the Corporation that, upon review, excess profits were not realized for

1965 and prior years. It is the opinion of management that no refunds will be required for the year ended December 31, 1966 and no provision has been made therefor.

In connection with litigation pending against the Corporation and its subsidiaries, one action alleges violations of the antitrust laws and damages of \$1,250,000 which the plaintiff seeks to have trebled; counsel have advised that in their opinion the defense of such litigation should be successful although the final outcome cannot be forecast.

Annual rental payments on material leases of real property amount to \$2,427,000 at December 31, 1966 of which \$1,012,000 represents leases expiring by December 31, 1969 and the balance to longer term leases expiring at various dates up to 1991. Some of these leases require the payment of real estate taxes and other expenses.

**TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
GENERAL PRECISION EQUIPMENT CORPORATION**

We have examined the consolidated balance sheet of General Precision Equipment Corporation and subsidiary companies as of December 31, 1966 and the related consolidated statements of income, earned surplus and paid-in surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to obtain confirmation of certain receivables from the United States Government by direct correspondence, but we satisfied ourselves as to these amounts by means of other auditing procedures. We did not examine the financial statements of Amercon Corporation (until March 24, 1967 predecessor of a consolidated subsidiary) which statements were examined by other independent accountants whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for Amercon Corporation, is based solely upon such report.

In our opinion, based upon our examination and the aforementioned report of other independent accountants, the accompanying financial statements present fairly the consolidated financial position of General Precision Equipment Corporation and subsidiary companies at December 31, 1966 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.

60 Broad Street, New York, N. Y.
March 24, 1967

DIRECTORS

Dante E. Broggi

Vice President & Treasurer,
Amercon Corporation

William H. Dunn

Chairman of the Board,
Industrial Timer Corporation

A. R. Gale

International Consultant

Robert A. Gardner, Jr.

Partner, Gardner, Carton, Douglas,
Chilgren & Waud

John Gribbel, 2nd

Partner, Elkins Morris Stroud & Co.

Howard K. Halligan

Partner, Cyrus J. Lawrence & Sons

W. G. Hamilton, Jr.

President, Amercon Corporation

Fred D. Herbert, Jr.

Vice President of the Corporation,
Group President of Aerospace Group of
General Precision, Inc.

Roy W. Johnson

Vice Chairman of the Board of the
Corporation

Lloyd L. Kelly

Executive Vice President,
General Precision, Inc.

Arnold R. LaForce

President, Central Securities Corporation

Philip LeBoutillier, Jr.

Vice President, Clark, Dodge & Co., Inc.

Edwin A. Link

Consultant to General Precision, Inc.

Arthur J. Loose

Vice President, Amercon Corporation and
President, Vapor Corporation

John C. Maxwell

Partner, Tucker, Anthony & R. L. Day

James W. Murray

Chairman of the Board of the Corporation

Louis Putze

President, General Precision Controls, Inc.

Robert T. Rinear

Executive Vice President and General
Counsel of the Corporation

Arthur Rosenbaum

Consultant

Donald W. Smith

President of the Corporation

Philip B. Taylor

Consultant

George T. Weymouth

Chairman, Policy Committee & Director,
Laird & Company, Corporation

Gaylord C. Whitaker

Chairman of the Board of Graflex, Inc.

OFFICERS

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Chairman of the Board
and Chief Executive Officer

Donald W. Smith

President and Chief Operating Officer

Robert T. Rinear

Executive Vice President
and General Counsel

Raymond L. Garman

Senior Vice President, Technology

Fred D. Herbert, Jr.

Vice President

Rolande H. Richardson

Treasurer and Assistant Secretary

Eugene B. Peters

Assistant Treasurer

Edwin D. Merrill

Controller and Assistant Treasurer

Earle B. Henley, Jr.

Secretary

Fred H. McElhone

Assistant Secretary

Auditors

Price Waterhouse & Co.

Counsel

Nixon Mudge Rose Guthrie Alexander & Mitchell

Transfer Agent

The Chase Manhattan Bank, N.A., New York City

Registrar

Morgan Guaranty Trust Company of New York,
New York City

ANNUAL MEETING

The annual meeting of stockholders will be held in the Biltmore Hotel, Madison Avenue at 43rd Street, New York City, on Tuesday, May 23, 1967 at eleven o'clock in the forenoon.

